Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of	)	
	)	
Low Volume Long-Distance Users	)	CC Docket No. 99-249
	)	

COMMENTS OF SPRINT CORPORATION

Sprint Corporation ("Sprint") respectfully submits its comments in response to the Commission's Notice of Inquiry, FCC 99-168, CC Docket No. 99-249 (July 20, 1999) ("NOI").

I. INTRODUCTION

No telecommunications market is as competitive as the long distance market. U.S. consumers may choose among more than 400 long distance carriers, and they may do so for each and every long distance call they make. A residential user may choose to presubscribe to one long distance carrier, but may also take advantage of the heavily advertised products offered by dial-around carriers on a per-call basis, simply by dialing 10-10-xxx. A residential user may also choose not to presubscribe to a long distance carrier and instead rely on dial-around carriers. Or he or she may purchase pre-paid calling cards to complete long distance calls. This flexibility is available to all U.S. consumers, whether they are high volume users or only make long distance calls on Mother's Day.

There is no question that the long distance market is by now highly competitive. As the Commission has begun to implement access charge reform, Sprint has responded by competitively lowering its prices. In fact, Sprint has, on average, reduced its prices far faster than the Commission has reduced access charges. For example, in 1998, Sprint's average access cost per minute dropped $0.004 from the previous year. However, Sprint's average revenue per minute dropped twice as much, or $0.008, from the previous year. This trend continues in 1999, as Sprint's average access cost per minute has dropped \$0.01, while its average revenue per minute has dropped 50 percent more, or \$0.015.

Sprint will further reduce its prices and simplify its long distance pricing plans as the Commission moves forward in its efforts to complete access charge reform. Recently, the Coalition for Affordable Local and Long Distance Services ("CALLS"), of which Sprint is a member, submitted to the Commission a plan for interstate access charge and universal service reform. *See* Memorandum in Support of the Coalition for Affordable Local and Long Distance Service Plan, CC Docket Nos. 94-1, 96-45, 99-249 and 96-262 (Sept. 20, 1999) ("CALLS Plan"). Should the Commission adopt the CALLS Plan, *see* Access Charge Reform, Notice of Proposed Rulemaking, CC Docket Nos. 94-1, 96-45, 99-249 and 96-262 (rel. Sept. 15, 1999), traffic-sensitive switched access rates will eventually fall to rates that average 50 percent lower than those that prevail today. In addition, the plan calls for eliminating residential PICC-related charges—flat rate charges from local companies to long distance companies that are today billed by long distance companies to subscribers—and folding them into SLCs. *See* CALLS Plan at 9. Thus, the plan would eliminate one of the Commission's concerns of this proceeding, namely the imposition of PICC-related flat-rated charges on residential long distance users. *See* NOI at ¶12.

Sprint's pass-through of Universal Service and PICC-related charges is a necessary structural change to recover costs as they are imposed on Sprint. Sprint believes that it is in the best interest of its customers to identify charges accurately and appropriately rather than "burying" them in per-minute toll charges. Ultimately, however, consumers in the marketplace will determine whether Sprint's, or any other IXC's, pricing decisions are efficient.

Under these circumstances, it would be entirely inappropriate for the Commission to consider re-regulating the highly competitive long distance market. As demonstrated above, U.S. consumers already enjoy a wide range of pricing options from which to choose to meet their long distance needs. Consequently, the marketplace, not regulation, will yield the most efficient manner in which U.S. consumers pay for, and receive, their long distance services.

II. THE NOI RAISES NO ISSUES REQUIRING REGULATORY INTERVENTION

None of the issues raised by this Inquiry can or should be addressed through regulatory intervention. The highly competitive nature of the long distance industry ensures that any billing practice that may improperly inure to the benefit of a particular carrier will be short-lived. In the following section, Sprint responds specifically to the issues raised by the Commission and demonstrates why in each case the market will most efficiently address the needs of all long distance users.

The Commission's overarching concern in this proceeding is whether flat charges imposed on consumers who make few long distance calls are "appropriate." NOI at ¶12. The answer to this question is an unqualified yes. A large portion of providing telephone service is not usage sensitive, *e.g.*, the local loop, which is used for local and long distance calls. Regardless of whether a consumer makes calls across the street or across the globe, there are fixed non-usage sensitive costs associated with providing network connections, monthly billing services and customer care. The most efficient way to recover non-usage sensitive costs is through flat charges directly assessed to the connected customer.

Currently, Sprint passes through the PICC charge to residential customers as a uniform flat charge on a per-account basis based on the Commission's "geographic averaging rules." Coinciding with the July 1, 1999 PICC increase, Sprint increased the PICC pass-through to $1.50 per account for residential customers. When these charges were introduced, Sprint was forced to impose its PICC costs on a per-account basis because it did not have the ability to distinguish between its customers' primary and secondary lines. On the other hand, LECs can distinguish between primary and secondary lines as well as between multi-line business, PBX and Centrex lines. Sprint therefore supports the Commission's suggestion that it require LECs to bill the residential PICC directly to the end user rather than to the IXC. The result of such a requirement would be that end users would pay the charges established by their respective LECs rather than a nationwide average charge calculated by their IXCs. By contrast, the average charge now passed through by the IXC may be higher or lower than the PICC charged by the end user's LEC. Ultimately, as noted above, Sprint believes that the CALLS proposal to eliminate the PICC for residential consumers and fold it into the SLC is a far more effective method of imposing charges for costs as they are incurred.

In the meantime, Sprint respectfully submits that its practice of imposing an average PICC pass-through is entirely appropriate. Sprint incurs this cost and must therefore recover it as required in a competitive market. Ultimately, the market can and will decide the appropriate pass-through method. This is equally true of carriers that impose usage charges to recover costs incurred in maintaining account and billing records as well as charges to recover Universal Service Fund (USF) contributions. *See* NOI at ¶14. Sprint has chosen to recover its USF contributions based on a percentage of a customer's interstate and international billing. In the competitive long distance market, any carrier that over-recovers its costs will quickly learn of its inefficiency by experiencing churn and losing market share. For its part, Sprint is not recovering more than its direct and indirect universal service contributions through end-user charges. NOI at ¶19. In fact, Sprint's recovery of these costs remains below its expenses on both PICC and USF charges.

Sprint would also like to assure the Commission that the introduction of flat charges has not had an adverse impact on telephone subscribership. NOI at ¶15. In fact, subscribership has increased with the inception of flat rate charges. Past experience demonstrates that a shift away from per-minute to flat charges has had a positive impact on subscribership. In 1984, when SLCs were first adopted, telephone subscribership stood at 91.8 percent. By 1989, when residential SLCs reached $3.50, subscribership rose to 93.3 percent. The introduction of the SLC and the PICC in 1997 resulted in large reductions in per-minute access charges and long distance rates. Today, with SLC and PICC-related charges totaling approximately $5.00, and with additional charges for Telecommunications Relay Service and number portability, telephone subscribership is over 94 percent. *See* CALLS Plan at 16 (citations omitted).

The reduction in usage charges that has resulted from the shift away from per-minute to flat-rate access charges has produced yet another benefit: the proliferation of toll-free numbers. Entities have become much more willing to pay for incoming long distance calls as usage charges have plummeted. This in turn has provided a hidden benefit to residential customers, including those who may be considered to be "low-volume." The absence of long distance toll charges on a customer's bill does not necessarily mean that the customer is not making long distance calls. That customer may be making calls to a distant retailer, a parent (*e.g.,* where the customer is a college student or in the military), a government agency, etc., using a toll-free number, and a so-called "low-volume" customer may indeed generate a high volume of toll-free traffic.

In light of the above, it would not make any sense for the Commission to adopt any of the regulatory "fixes" proposed in the NOI. Rather, the Commission should rely exclusively on competition to address the needs of low-volume residential users. NOI at ¶16. In the fiercely competitive long distance market, all customers have a wide array of choices to match their usage patterns. For those customers who feel that they do not have sufficient long distance requirements to warrant payment of a minimum usage charge, Sprint offers "Sprint Basic" (tariffed as Sprint Standard Weekend). This plan carries no monthly fee and no minimum usage charges.

As the Commission suggests, the widespread availability of dial-around services obviates the need for regulatory intervention on behalf of low-volume users. NOI at ¶16. These services are available to all consumers, are heavily advertised, and many of them carry no monthly fees or minimum usage charges. In fact, as viewers of almost any prime-time television program know, some dial-around services offer highly competitive rates such as eight cents per minute for calls lasting ten minutes or longer.

Allowing RBOCs to enter the in-region long distance market will not mitigate "problems" experienced by low-volume users, *see* NOI at ¶17, for the simple reason that there are no problems to mitigate. As mentioned above, the long distance market is already fiercely competitive. In addition, the RBOCs should have the same incentives to serve both high-volume and low-volume users as any of the other 400+ long distance carriers. Any "mitigation" would be the result of an unearned and anticompetitive advantage that should be eliminated prior to allowing RBOC entry into the market.

Specific remedies suggested by the Commission, NOI at ¶21, would result in unnecessary regulation. First, the Commission should not require all or some IXCs to maintain rate plans that do not include a minimum monthly charge. Sprint and other IXCs already maintain such plans; if a carrier chooses to drop basic plans without minimum monthly charges, it must be prepared for the potential churn that it will experience. Even in the unlikely event that all carriers chose to impose minimum monthly charges, consumers would not be without alternatives. Consumers may avoid paying such charges by choosing not to presubscribe to any long distance carrier and rely instead on dial-around services.

Second, the Commission's proposal to require non-dominant long distance carriers to pass through a specific portion of interstate switched access charge reductions to a basic plan is similarly ill-conceived. Such an approach would be meaningless unless the Commission were to revert to full regulation of the IXC industry. Otherwise, there would be nothing to prevent a carrier that passes through a specific portion of access charge reductions to basic customers from raising its rates to these same customers one week, one month or three months later.

Third, the Commission should not require IXCs to pass through a PICC calculated as a percentage of a bill, capped at a certain dollar level. NOI at ¶17. This is not the way that IXCs incur these charges. Requiring collection in the manner proposed by the Commission would be clearly inefficient. With respect to all three of the Commission's proposals, market competition, rather than regulation, may be relied on for the development of the most efficient pricing mechanisms. Low-volume long distance users have many options to choose from. In a competitive market, customers can and indeed should exercise their right to switch to an alternative carrier that offers a product to meet his or her expectations.

There is also no reason for the Commission to require IXCs to include consumer education inserts with their bills detailing alternative ways they may obtain long distance services. *Id.* In light of the millions of dollars that traditional and dial-around long distance carriers spend each year advertising their products, requiring bill inserts would impose an unnecessary and very costly expense on non-dominant long distance carriers. On the other hand, educational efforts by the Commission, state agencies and consumer groups would be a much more effective way to provide consumers with information that the Commission feels they currently lack. Such an approach would be highly preferable to a burdensome and costly regulatory solution aimed at subsidizing low-volume users, regardless of need. Sprint wholeheartedly agrees with Commissioner Powell's statement that in light of consumers' competitive choices, "it would seem over-regulatory -- and indeed paternalistic -- to take steps to minimize impacts on consumers before at least attempting to educate them on how they may protect *themselves* in the marketplace." NOI, Separate Statement of Commissioner Michael K. Powell, Concurring, at 2-3.

Sprint also shares Commissioner Powell's concern that the NOI "almost prejudges the issue whether 'low volume consumers' constitute some type of protected class." *Id.* at 2. Sprint's own research indicates that there is not a one-to-one correlation between income and long distance usage and that, as pointed out by Commissioner Powell, many low-income households make a substantial volume of long distance calls. *See* Sprint Comments, Access Charge Reform, CC Docket 96-62, Exhibit 2 at page 6 (Jan. 29, 1997). At the same time, there are many low volume users that do not come from low-income backgrounds and thus have no need for subsidized service. Under these circumstances, it makes no sense for the Commission to expand universal service to include some amount of affordable long distance service for "low-volume users," or take any other action that would benefit this ill-defined group. NOI at ¶¶18-19.

The CALLS Plan establishes a much better approach, tailored specifically for the needs of low-income, low-volume users. It expands Lifeline support to ensure that these consumers would pay no monthly SLCs and pay no PICC-related charges (which many pay today). CALLS Plan at 15. This approach targets only those for whom affordability is of greatest concern. By providing universal service support to those who need it most, and at the same time slashing access charges in half, the Plan promises to strengthen subscribership among low-income consumers.

Providers in other industries--including some under the Commission's jurisdiction--also impose minimum usage requirements or flat rate charges that apply regardless of usage. NOI at ¶26. Two highly successful examples of this type of pricing prevail in the Internet access and wireless markets. With Internet "all-you-can-eat" pricing, consumers can typically purchase unlimited dial-up usage for around $20 a month. They pay the same amount whether they spend all day surfing the Web or only use it to send an occasional e-mail. Similarly, consumers have embraced the new pricing plans offered by PCS and cellular phone companies, under which consumers receive a monthly quantity of minutes of airtime for a fixed price. Public utilities, such as gas, water and electric companies, impose minimum usage and flat rate charges on their consumers as well. Thus, there is nothing inherently wrong with flat rate charges. In fact, as demonstrated above, flat rate charges are invariably a more efficient method for carriers to recover their non-usage sensitive costs. One thing is certain, however. In the highly competitive long distance market, a carrier that attempts to create profit centers by imposing non-cost based flat rate charges or minimum usage requirements will inevitably lose its customers to carriers who efficiently recoup their costs as they are incurred. All U.S. consumers, whether they make many or only a few long distance calls, have an enormous number of long distance carriers to choose from to meet their needs. In this highly competitive environment, the Commission can, and indeed should, trust U.S. consumers to make their own choices.

III. CONCLUSION

For the reasons stated above, Sprint respectfully requests the Commission to terminate this proceeding without imposing any new, unwarranted regulations on the competitive long distance industry.

Respectfully submitted,

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